

# CVC

## **2024 Half-Year Results**

Analyst call transcript

Thursday 5 September 2024

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## **Walid Damou**

### **Head of Business Development and Shareholder Relations**

## **Welcome**

Thank you and good morning everyone. Thank you for joining us for CVC's first results presentation since our IPO in April. My name is Walid Damou, Head of Business Development and Shareholder Relations. Today, we will provide you with an update on the performance of CVC Capital Partners PLC for the first six months of the year. Presenting on this call, Rob Lucas, CEO, Fred Watt, CFO, and Rob Squire, Head of Client and Product Solutions, or CPS as you might hear us say. Our call is scheduled for 60 minutes and after our initial presentation, there will be an opportunity to ask questions. I'll now hand over to Rob Lucas for an update on the first six months of 2024.

## **Rob Lucas**

### **CEO**

## **Introduction and H1 2024 Update**

Thanks, Walid, and good morning everyone. It's a real pleasure to be with you here today. On today's call we'll provide an update of our activities over the course of the first six months of the year. The key points are summarised on slide four, which is up on the screen, and we'll cover each of these aspects in more detail in the coming slides.

The headline here is that we continue to progress on delivering the guidance presented at the time of the IPO. We've now activated Fund IX and Asia VI, helping drive fee paying AUM to €142 billion, representing a 45% increase in the first six months, with total AUM increasing to €193 billion.

Our fundraising continues to progress according to plan, very much supported by our continued investment performance, and of course our deep and long-standing client base that now comprises more than 1,100 individual clients. Whilst we continue to remain selective and disciplined, we have seen a significant increase in deployment, underpinned by the wider origination funnel provided by our network. Similarly, we have seen an encouraging increase in realisations, and importantly, we continue to generate strong realised returns with 3.6x gross MOIC and 28% gross IRR over the last 12 months across private equity.

Despite continued volatility across the macroeconomic environment, geopolitics and capital markets, our portfolios continue to show resilience, with all of our material funds performing on or above plan. We continue to develop the CVC network and in early July we announced the full acquisition of CVC Secondary Partners, and the completion of the CVC DIF acquisition, together with the rebranding of both businesses, and we believe this represents a significant event as we continue to scale and diversify CVC.

Finally, our financial performance continues to track our guidance, and with fundraising substantially complete, our near-term MFE trajectory is highly predictable.

Before handing over to Rob Squire to provide an update on fundraising, I wanted to spend just a brief minute recapping on CVC, as you'll see on this next slide five. As set out on the slide, we have grown significantly to become a leading diversified private markets manager. We are a global leader in private equity with four different private equity investment strategies, and the strength of the business is illustrated by Fund IX, which is the largest private equity fund ever raised despite the very tough fundraising backdrop under which we did raise that fund.

Across secondaries, credit and infrastructure, at the bottom of that page, we have three high-quality businesses benefiting from strong underlying secular growth and we believe this growth will be accelerated through being part of our global platform. And it's always worth noting that our growth has been built on some really unique features, the CVC network, our entrepreneurial culture, and importantly, our disciplined focus on delivering investment performance for our clients.

As set out on slide six, this growth across each of our platforms has resulted in fee-paying AUM growing over the course of H1 by 45% from €98 billion as of December 2023, to €142 billion euros, so you can see, as of June 2024. And this growth has also resulted in an ever more diversified platform with credit, secondaries and infrastructure now representing almost half of our fee-paying AUM, and we expect ongoing fundraising over the next 18 months will underpin further growth in each of these businesses.

On that note, I'll now hand over to Rob Squire, who will provide an update on fundraising. Thanks, Rob. Go ahead.

## **Rob Squire** **Head of Client and Product Solutions**

### **Fundraising update**

Thanks, Rob. Good morning everyone. Before digging into the capital raise during the first half, as Rob has already touched upon, it is important to note that our record fundraising in calendar year '23 underpinned much of that 45% growth in fee-paying assets under management that you see in H1. It's critical at this juncture for me to once again emphasise that the capital raising success we had in '23, and indeed the current momentum we see across our fundraising, is underpinned by the consistently strong investment performance our firm generates for its clients. This performance, in turn, has created a very deep and very long-standing client base, which now exceeds 1,100 institutions with many relationships exceeding two decades in duration.

Now, stepping back, and from a wider capital raising perspective, we believe the market backdrop does remain challenging. Many clients remain in what we would call a wait-and-see mode, given a combination of geopolitical uncertainty, market volatility, and of course continued questions around interest rate movements. This environment does make it harder to gain momentum, often requiring longer fundraising processes, which themselves are non-linear and often more back-ended than we've seen in recent cycles.

So turning to CVC in our first half, in line with our plan, we raised a total of €7.4 billion across our seven investment strategies. In addition to activating Fund IX and Asia VI, we held final closings on our DIF VII and our CIF III infrastructure funds, and we do expect to launch their successor funds in the first half of 2025 with an aggregate target of €8 billion.

In terms of our ongoing fundraisings, we have six funds currently in the market and fundraising is progressing according to plan. We held initial closings and our Secondary Fund VI and our Growth Fund III to start de-risking those processes, and we continue to hold interim closings on StratOps III, European Direct Lending IV, and our Capital Solutions Fund III. Finally, away from our closed-end capital raisings, there were two other important updates in the period. Point one is that we raised our first ever continuation vehicle, supported by several major institutions and providing yet further growth in our private equity fee-paying assets under management. And secondly, we launched CVC-CRED in late Q1. This is our first open-ended investment vehicle for the Wealth Channel. CVC-CRED is focused on private credit and we expect to add a complementary private equity strategy over the course of the next 12 months.

So overall, we are pleased with the progress achieved in the first half as we continue to work toward the fundraising programme outlined to you earlier this year.

Thank you, and I'll now hand back to Rob.

## **Rob Lucas** **Deployment**

Thanks very much indeed, Rob. Let's just move on to deployment. Whilst we remain cautious on the wider macroeconomic environment and very disciplined when it comes to investment selection, as we discussed earlier this year, we have seen an increase in deployment activity, with H1 2024 deployment up 63% versus H1 2023.

There are a couple of features we've seen behind this increase, which I'd like to highlight. Firstly, sellers are becoming more willing to engage on high quality businesses, and these of course are the businesses we like to buy. Secondly, we are seeing pockets of value within public markets. And thirdly, corporates are becoming more willing to engage on strategic transactions. This increase in deployment is most visible in private equity where H1 2024 deployment levels increase substantially relative to H1 2023. However, we wouldn't suggest extrapolating for the rest of the year based on the first half. And importantly, we do continue to assume a three to four year investment period for our private equity funds. We also continue to see strong momentum within secondaries where deployment levels doubled in H1, given secular growth in this space and a narrowing of the bid-ask spread. We saw a slower rate of deployment within credit with €3.4 billion deployed over H1 2024, compared to a particularly strong first half in 2023. However, we do remain confident in secular trends in credit markets and the strong growth potential.

And finally, infrastructure. Unlike private equity, we saw high levels of infrastructure deployment activity in 2023, and DIF VII and CIF III, where we only had final closings in H1, are now approximately 60 to 65% committed. Ahead of the launch of DIF VIII and CIF IV in H1 2025, the team is ever more thoughtful on how and when they deploy the remaining capital. Turning to slide nine, we've set out some examples of recent investment activity here. In H1, we made over 12 investments across our private equity businesses. These investments were spread across various geographies and sectors, with a high level of diversification in terms of ticket size. Also, as mentioned earlier, we have been active in public markets. Additionally, StratOps III and Asia VI signed their first investments during the period, and given StratOps charges fees on deployed capital, this is a positive in terms of MFE.

## Realisations

Moving to realisations in slide 10, we have seen some increase here as well. H1 realisations more than doubled relative to the same period last year, and we continue to generate strong investment returns on these realisations, as we will see on the next slide.

Our delivery of strong investment returns underpinned our fundraising success in 2023, and this ability to selectively monetize the portfolio is an important aspect of our role as active portfolio managers. The increase in private equity realisations is driven by gradual recovery in strategic and sponsor activity, with public market exits remaining modest, given ongoing volatility. Realisation activity at this stage in the market recovery will inevitably be lumpy. So once again, we would not suggest extrapolating for the rest of the year based on the first half.

Finally, it's worth noting that realisations across each of secondaries and infrastructure doubled in H1, and this level of realisations both highlights the attractiveness of these portfolios to potential buyers, and the attractiveness of our platform to clients who are looking for a strong level of distributions.

Slide 11, we're presenting statistics here on investment returns generated across our private equity businesses. Figures on this slide cover are four private equity investment strategies over the last 12 months, Europe, Americas, Asia, StratOps, and of course growth. Focusing on the sources of realisations, sponsor transactions represented 57% of the total, as you can see, while IPO activity remains relatively low at 10%. Then, importantly, we continue delivering strong returns with a weighted average gross MOIC of 3.6x across our private equity strategies over the last 12 months and a 28% gross IRR. As mentioned in our August activity update, returns for Europe Americas in H1 more specifically reached 4.5x gross MOIC and 32% gross IRR.

Over on slide 12, as announced in July, we have now completed the acquisition of CVC DIF to form our infrastructure platform. As we've discussed, we see a great opportunity to scale CVC DIF as part of our network and build on the success the team has achieved to date. In particular, we are focused on preparing for the launch of DIF VIII and CIV IV in H1 2025, and leveraging the wider CVC network to support investment origination of value creation. In addition, we have acquired the final stake in CVC's Secondary Partners, following the initial acquisition in 2021. We're delighted with the success we've achieved with our secondaries platform, and we're confident in our ability to continue scaling this business as we continue delivering attractive returns for our clients.

Finally, and as Fred will discuss, we continue to see a significant opportunity to drive operational leverage across CVC as we scale the wider business, and we fully integrate both CVC Secondary Partners and CVC DIF. I'll now hand over to Fred to talk about fund performance and financials. Thanks very much, Fred.

**Fred Watt**  
**CFO**

## Funds Performance

Thank you, Rob, and good morning everyone. Looking first at the performance of our funds on slide 13, as Rob mentioned, we remain cautious on the overall macro environment, and as you'd expect, we continue to remain highly focused on the portfolio. However, the overall trends remain in line with earlier this year with each of our material funds performing on or above plan. Turning to each of the strategies and starting with private equity,. So that's the four strategies on the left-hand side of this slide. Underlying operating performance remains encouraging with revenue and EBITDA growth of 7% and 11% respectively over the last 12 months for Europe Americas underpinning an increase in the value of that portfolio of approximately 10% across that period, of which 6% was the uplift in H1 2024. In Asia, we're pleased with the performance of our companies, although FX negatively impacted the valuations over the period at the fund level, given the relative strength of the US dollar in the first half producing a flat result overall in fund terms in the six months. On the other hand, StratOps portfolios continue to prove very resilient due to their defensive attributes.

Within growth, there's a very slight negative movement on our second fund, but the decrease in gross multiple from 1.9 times to 1.7 times is simply the result of the closing of our latest transaction in that fund. That new asset is initially included at one times, which reduces the blended multiple for the fund overall. The underlying uplift for the portfolio on a like-for-like basis during the period is actually positive at 5%. Still within private equity, given the more positive backdrop in the credit markets, our capital markets team has been very active across both new investments and the existing portfolio. With more than 35 billion of debt refinancing activity in H1, as we proactively took advantage of improved market conditions. And just by way of example, that financing activity over the first half of the year has generated over 110 million of annual interest savings from 14 repricing transactions across our private equity portfolio. And around 80% of our debt maturities are now in or beyond 2027.

Turning to our other strategies, our secondary and infrastructure funds also remain on track. And finally, within credit we continue to see resilient performance across both our performing and private credit portfolios, driven by maintaining a selective and conservative approach to asset selection and underwriting, remaining active in portfolio management as well as ensuring high levels of diversity across the portfolios.

## FPAUM Evolution

Turning to the next slide, slide 14, and our fee-paying AUM development in the period. As Rob mentioned, our fee-paying assets under management in H1 grew by 45% to just over 142 billion. And adjusting for the impact of the DIF acquisition, this represents a like-for-like growth of 27% in the first half. As Rob also mentioned, this growth primarily results from the activation of Fund IX and Asia VI in the first half, but we also saw growth across each of our platforms as a result of a first close of the Secondary Partners of VI, the final closings of DIF VII and CIF III in H1, within infrastructure and continued net growth and deployment across StratOps and credit where of course we're paid fees on invested capital. All of this clearly outweighs the step-down in fee-paying AUM that we see when we activate new funds. If you take Europe and Asia in particular, which is also shown on this slide. Finally, as Rob Squire discussed, we would expect to begin to see the positive impact of the latest round of fund raisings for secondaries, credit, and infrastructure as we move through the next 18 months.

## Financials

Moving to slide 15 and the key financials. Whilst we saw a 13% increase in MFR and a 16% increase in adjusted EBITDA and MFE over H1, it is important to remind you that the H1 numbers only include approximately two months contribution from Europe Fund IX and Asia VI, following their activation in May. With the full year impact being reflected as we move through the next 12 months in line with the guidance we provided at the time of the IPO. This full year impact will deliver the anticipated step change not only in MFE but also in margin as we benefit from increased operational leverage. Again, in line with what we said previously.

Also, while the acquisition of CVC DIF only closed on 1st of July, we've also shown the numbers for CVC DIF on this slide as if CVC DIF was included in MFR and EBITDA in the period. Finally, on this slide, within EBITDA we're showing the split between MFE and PRE. And while PRE is ahead of H1 last year, our prior guidance for PRE is unchanged in that we continue to expect 2024 as a whole to remain significantly below the medium-term run rate level.

Looking at costs on the next slide. Here, again, we're progressing on plan and we believe the network to be well invested. That said, we continue to be selectively hiring across both investment professional levels and in business operations. And we're increasingly focused on driving operational leverage across the wider platform, including the full integration of secondaries and infrastructure.

Across CVC, we're rapidly rolling out AI to improve both our investing capabilities and our operational efficiency. And in addition, we're building out our offshore operational capabilities in Cape Town, where we now have a team of 45 professionals and we expect this team to grow again over the next 12 to 24 months.

Our guidance on cost underlying growth remains that we see total costs growing by mid to high single digit and percentages year-on-year. So exactly in line with what we said previously. As a reminder, our focus on operational leverage combined with a mechanical step change in revenues from Fund IX and Asia VI in particular will drive an uplift in margins as we move through the next 12 months. Again, in line with prior guidance.

Looking at the overall guidance on slide 17, this a slide we've used during the ISPO process and this guidance continues to be what we work towards. With the activation of Fund IX and Asia VI, we're getting closer to run rate for management fees. And 2024 is a transition year given the partial contribution from those funds, which were only activated in May. Importantly, guidance in terms of management fee revenues reaching €1.3 to 1.5 billion still stands, as does our view of how we see MFE margin developing. And last but not least, our carry potential and therefore our PRE guidance remains unchanged.

Lastly, onto slide 18 and the balance sheet. Since the IPO, we drew a further 200 million Euros tap on our US private placement programme to fund part of the cash consideration for CVC DIF, taking that private placement borrowing programme to €1.45 billion. The cost of that remains very attractive with a blended cost of around 2.2% with maturities ranging from 2032 to 2041. On the other side of the balance sheet, our cash position remains in line with our IPO guidance. And as shown here for illustration after cash settlement of just over €400 million for the acquisition of CVC DIF in early July. With that, I'll hand back to Rob.

## Rob Lucas

# Conclusion

Thanks very much indeed, Fred. So just some quick closing remarks before we move to Q&A on page 19. Whilst we continue to remain cautious on the macroeconomic environment, as we've said throughout, and we remain highly disciplined in our investment selection, we have seen an encouraging increase in deployment levels. Second point is our portfolios do remain resilient, reflecting careful asset selection and a big focus on active value creation. We continue to progress fundraising across each of our seven platforms, and this fundraising has helped underpin a 45% increase in fee-paying AUM over the period.

We continue to focus on driving growth across secondaries, credit, and infrastructure. And the completion of the CVC DIF acquisition together with the purchase of the final stake in CVC secondary partners is an important step. Finally, all we've achieved in fundraising, deployment, and value creation enabled us to deliver significant value financial growth and gives us confidence on being able to deliver on the guidance we set at the IPO.

With that, I'll hand back to Walid for the Q&A. Thanks, Walid.

## Q&A

### Walid Damou:

Rob, Fred, Rob, thank you very much for this presentation. We can now move to the Q&A.

### Nicholas Herman:

Yes, good morning. Thank you for the presentation. Can you hear me okay?

### Rob Lucas:

Yes, we can hear you well. Thank you, Nicholas.

### Nicholas Herman:

Super. A couple of questions please, or maybe three, one on the investment pipeline and a couple on fundraising please. So on the investment activity, you mentioned the encouraging investment pipeline, but can you provide some more details on those pipelines across strategies and maybe what sectors and or regions you're seeing the best value? And as part of that, I appreciate deployment is lumpy and shouldn't be extrapolated, but it clearly was very strong in the first half. I guess just in light of those strong pipelines, where do you see deployment rates settling, please?

And then moving to fundraising. Where are we with StratOps III fundraising, please? Apologies, if I missed that. The track record is clearly strong, we've just seen some US peers growing much stronger in their lower return strategies. I'm just curious why it has proved so much more challenging for you to bring in capital there?

And then as part of that as well and the final question on fundraising, it looks like DIF VII and CIF III on the infrastructure side are now 60, 65% committed, are you still expecting the next generation of fund vintages to activate in 2026? Thank you.

### Rob Lucas:

Thanks very much, Nicholas. Well, let me take the first of your questions then perhaps Rob Squire could take the fundraising questions. So just in terms of the pipeline, looking at where the investments have come from and been based, very, very wide spectrum here, Nicholas. Which is what we really like to see. So across the 12 private equity investments that we have made, a very wide spectrum as we would often have within CVC across ticket size and across location, and indeed across the nature of those investments. So very, very hard to pick any particular aspects there, but that is normally the way we would want to see that, particularly in terms of the geographic, sectorial, and size tickets, ensuring that ongoing diversification.

But in terms of where deployment rates may settle, I think we still do very much remain, despite the uplift which of course was from a low base over the last 12 months, 18 months, very low base. But we were, when we were talking in November and I think when we were also talking in March, I was anticipating seeing an uplift. It was always very hard to decide on exactly when the timing. So it's not surprising this has come through. I would expect this to level off, to give a deployment rate within that, deploying the fund over that three to four years. That's where we remain and that's how it sits at the moment. So that's how I would see that.

Just in terms of the fundraising, Rob?

**Rob Squire:**

Yes, sure. Hi, Nick. Hope you're well. So we're not going to give individual updates on individual funds. Obviously we operate multi-year fundraising campaigns across each of the seven strategies and all of the different LP funded platforms on the closed end side that we have. As I said in my comments, it's never going to be linear and different products have different fundraising cadences and pace. That being said, actually we're quite pleased with where we are with StratOps and we do see continued growth from here. And so we are affirming that target that we've given you in the past.

In terms of your third question on the DIF activation. Again, we're not changing the guidance of the '26 activation and the '25 launch of both the DIF and the SIF vehicles with an aggregate target together of 8 billion euros.

**Nicholas Herman:**

Thank you very much for those answers. Can I just, you commented by the way on the private equity pipeline and just in terms of the infrastructure pipeline as well, is that similar as well and also really strong?

**Rob Lucas:**

The infrastructure's at a slightly different point in its investment cycle as it were. So as I was mentioning when I was talking earlier on, because they are so heavily deployed and because we are seeing good pipeline, we're seeing activity, but they're having to be quite discerning about what they're doing there, Nicholas.

So their rate of deployment is less reflective of the underlying strength of the pipeline. It's more just making sure that between now and H1 2025, we are being as selective and we're really, really picking the best opportunities there.

**Nicholas Herman:**

Very helpful. Thank you so much.

**Walid Damou:**

Thank you, Nicholas. Moving to the next question please.

**Hubert Lam:**

Hi, everybody. Thank you for taking my questions. I've got three of them. Firstly, on credit, I know you mentioned that the deployment rate was slower in H1. Can you give an update on your guidance for deployment over the next two years or the next 12, 18 months? Any change towards it and we'd expect it to pick as activity starts to improve? That's the first question.

The second question is on secondaries, can you talk about the ability to deploy in the secondary environment and also maybe potential upside to the €7 billion target you have for SOF VI, just given how good the environment is for secondaries?

And lastly, I know you provide an update on your wealth initiatives, can you just talk about the initial client reception towards your new CVC credit fund and also, the private equity fund that you have in the pipeline, and any thoughts around potential target sizes over time? Thank you.

**Rob Lucas:**

Thanks very much, Hubert. That's great. Fred.

**Fred Watt:**

Yeah. So if it wasn't for such a strong period last year in the first half, I think the first half of this year would actually look very, very good for credit. It does look good, it's absolute terms. But if you remember last year, I mean the syndicated loan market was closed effectively, private credit was picking up all the slack and we're seeing the market much more in balance, which was why we're now seeing, again, good growth in the CLO business as well as the private credit market. So I wouldn't worry too much of it year on year within credit. I think the level of deployment is actually pretty strong, and as Rob said in his opening remarks, we do see the secular tailwind still giving us growth opportunity as we go forward.



So I think we'd said above double digit growth we were expecting and in overall capital raising, deployment, et cetera, over time, in the near time within credit, that still remains our view.

**Rob Lucas:**

Great. Thanks very much, Fred. In terms of secondary and the level of activity in the secondary area, Hubert, we've seen a very strong pickup and uplift since the beginning of this year, and we see that continuing. I think that the team over there are seeing good activity levels, both in terms of LP led and GP led transactions. Rob, do you want to just comment on the fundraising element and just on the wealth side?

**Rob Squire:**

Yes, sure. Happy to. Hey Hubert. Yeah. I mean on the SOF VI Secondary Partner fundraise, obviously this is the first raise that we will handle from start to finish as part of CVC. And I'd say to echo Rob's comments, we're really, really pleased with the initial partnership and the reception, certainly by our investor base. That being said, we're not going to change the €7 billion guidance that we've given, but we are off to a pleasing start there. On your question three around wealth, I'm happy to provide a little bit of perspective, Rob, if that's okay?

**Rob Lucas:**

Yeah. Thanks very much, Rob. Thank you.

**Rob Squire:**

So I think the initial client reception has been very pleasing again. As you all know from the various meetings earlier in the year, we have taken a typically cautious and measured approach to the wealth channel and certainly to the semi-liquid structure specifically. Again, from our perspective, this is a long-term structural opportunity that we want to get right. We've done a lot of preparation work. We think we have a very high quality product in the CVC- CRED offering off a very, very short window for this period, We're pleased with the outcome. In terms of CVC-PE, we are well advanced on that. As we'd said we would be earlier in the year and we expect to launch that, as I said, over the course of the next 12 months. And we expect to take a very similar approach, which is measured and thoughtful, but given the strength of our private equity network, we are optimistic.

**Walid Damou:**

Thank you, Rob. Operator, can we move to the next question please?

**Arnaud Giblat:**

Yeah. Good morning. Can I start with a follow up on the wealth question? In terms of the CVC-PE product, could you give us a bit of a flavour of what it'll look like? And I'm interested if there'll be a secondary component in it, and if not, would you think about launching a secondary standalone product? I mean, that is I think pretty suitable for mass affluent. So just wondering what your thoughts are there.

And also on the Wealth channel, if I could ask, in terms of what your distribution network looks like, who are your big vendors and are you signing up more distributors? What's the outlook in terms of signing up for new distributors? And finally, in the light of interest rates coming down globally, could you give us an update perhaps on how you're thinking about real estate? Thank you.

**Rob Lucas:**

Sure. Well, Rob, do you want to just kick off with Arno's two wealth questions and I can handle his real estate question?

**Rob Squire:**

I think he actually snuck in three there, but I'll answer all three of them. So yeah, I don't want to get drawn, Arnaud, on the specifics of the anticipated portfolio construction there because that is still something that we are working with the Luxembourg regulator on, but it is going to be aligned with our four private equity strategies. So again, we are excited to have that coming to market. In terms of a dedicated secondary liquid, I would assume that over time that would be something that we would bring to the market.

But again, we're very, very focused on just landing the plane successfully with what we've got, just given again, you have to take a long term perspective and get these things right from day one versus just throwing everything against the wall and scaling as quickly as you can. So it is obviously a very well-orientated strategy for the mass affluent, I think was the word that you used. And then your third question around new distributors, yes, we are in a position where in the coming months we will be going plural with CVC-CRED. So again, have had a very nice run with the initial distributor and are pleased with that. But we'll be going to a series of other distributors in the coming weeks and months.

**Rob Lucas:**

Thanks very much, Rob. In terms of real estate, Arnaud, I think our position remains similar to the one that I've expressed before. It's clearly a gap in our family of strategies and therefore, we would be interested if the right opportunity arose. Having said that, we haven't felt that the timing was right, not least because we were so involved with our acquisition of CVC DIF and our secondary's platform. So we're not in any rush here at all. But I do think that when I've spoken to you before over the last 12, 18 months, I have indicated that I didn't think the timing could improve and the timing wasn't ideal at that point in time and that we've got more to play through in that market.

I think that your point about interest rates helps as they come back a bit more into balance and we can see have a bit more of a feel for what's happening on interest rates. But we would remain very, very selective and cautious in terms of making a move in this area as we did with secondaries and with infrastructure. We'd be looking for absolutely the right

cultural fit, the right size fit, and the right business to be able to really scale across our platform. So as I say, we're not in any rush, but our view is pretty much similar to the one I've expressed before.

**Walid Damou:**

Thank you, Rob. Can we move to the next one please?

**Angeliki Bairaktari:**

Good morning and thank you for taking my questions. First of all, with regards to the much better realisations that you've seen now in the first half of the year, out of the €8.4 billion, how much of that is closing in the second half of the year? And considering that the PRE was actually quite good at 114 million in the first half, should we expect assuming more deals actually close in the second half, that PRE in the second half is going to be much higher than what we saw in the first half?

Then second question with regards to the 6% valuation uplift in H124 in Europe-Americas, which I think you mentioned before, was it driven by operating performance or was it driven by valuation multiples being higher versus the end of last year? And last question, other operating expenses were flat year-on-year. How should we think about that line in the second half and also in 2025? Thank you.

**Rob Lucas:**

Thanks very much indeed, Angeliki. That's great. Fred, whether you'd like to take-

**Fred Watt:**

Yeah, let me make a start to that. Hi, Angeliki. It's Fred. On realisations, essentially they were all closed or very close to closing and therefore they're all treated effectively in our accounts as having closed. So I wouldn't worry about or think about any further PRE uplift from that €8.4 that we've achieved in the first half. That's all in the numbers and no further to come just from those realisations.

And talking and thinking about the full year PRE, I think we've guided to not extrapolating on the realisations side and therefore don't also extrapolate on the PRE number either. And we would expect the PRE number to be lower in the second half than the first, just as we probably expect realisations to be lower in the second half than the first given the extraordinary number of realisations that we did achieve in the first half of the period.

In terms of the 6% uplift in the funds Europe/Americas, it's essentially all driven by operating performance. So I referenced strong double digit revenue growth and just getting into double digit EBITDA growth across the portfolio. So no benefit really from multiple uplift. If anything, a little bit of negative effects, a little bit of negative multiple movements in some places. So essentially coming from operational delivery in that first half period.

And then lastly on your OPEX. In terms of other OPEX, it's now been flat for a couple of years and we're holding it flat through just being smarter about how we do things. That does include, I referenced Cape Town, which is a good source of skilled capital and it means that we can bring in how some of the external costs that we used to incur within the other OPEX line. So it is a little bit lower than last year, but these are quite small numbers. So moving around a €60 million number plus or minus one or 2 million, it will come through as very small movement also in the second half. Of course, we are a little bit second half weighted on that line as you'll see from previous years. But year-on-year, I'd expect pretty much the same development in H2 with overall cost development. Pre-DIF, the mid-high single digits, it was 9% give or take in the first half. We'd expect something similar in the second.

**Walid Damou:**

Thank you, Fred. Can we move to the next questions please?

**Haley Tam:**

Morning. Thank you very much for taking my questions. I just have one left really from everything else. And just to follow up on costs, thank you for reiteration at mid to high single digit percentage, you and your growth guidance. Given the comments you've made about the full integration of secondary infrastructure and the rollout of AI, is that included in this guidance or is it incremental? And if the latter, how should we think about the impact, timeframe and scale? Thank you.

**Fred Watt:**

Well, there's two parts maybe to the answer. The cost of AI is within our projections. So any investment we're making into how we're seeing AI help enable the business to make better decisions, create operational efficiency, possibly, that's all within the number. So I wouldn't think of adjusting that guidance for any new comment in that area. In terms of integration of DIF and of secondaries, it's more about common practices and common platforms rather than a cost initiative. So it's really just making sure that we've got the best practice across all of the group making use of best of breed technology, best of breed process. So it's not a big cost initiative at this point. And thinking of on the fundraising side, that's where we would see the integration coming to the fore. As Rob Squire was saying, we are only now really develop or employing the full CPS activity that we have across secondaries, and we'll do the same across DIF when we come to fundraising for DIF next year. So it's not so much cost. It's more about common practices and enabling, if anything, fundraising, enhancing what they had previously.

**Walid Damou:**

Thank you very much, Fred. Next question please.

**Bruce Hamilton:**

Hi there. Morning, and thanks for taking my questions. I think I've got probably three. Firstly on the PRE outlook, obviously very encouraging levels in the first half and you've been quite clear about the second half. As we cast to 2025, I guess consensus is looking at this €500 million mark, so lower half of your midterm guidance range. From what you can see, does that look achievable? And are there any key dependencies that we would need to see either more confidence from sponsors or IPOs coming back? That's question one.

Secondly on the wealth channel, given the scale of the US opportunity, I know your launch initially is in Europe, but what's the timeframe for considering the US market, and are you already in discussions with the big warehouses to try and develop that? And how do you think about the potential for public-private partnerships, our capital KKR as ways to maybe also expand in that area? That's the second one.

And then final one, just on AI, interested in any of the initial use cases where you see the biggest P&L impact potential? Thank you.

**Rob Lucas:**

Fred, would you like to take the PRA PRE one?

**Fred Watt:**

Yeah, so hi Bruce. It's Fred. On PRE it's not an unreasonable projection, but it does depend on market for realisations coming back consistently and I think, as we're seeing, there are ripples all on the road. We've had a very good first half, but it will take a bit more than that to really make a consistent recovery in overall levels of realisation. That will be the biggest driver of that PRE number. We're confident in the total and we think that the consensus number for next year is not an unreasonable number for us to be achieving next year, but it really will depend on consistency of market condition across everything from the IPO market. We're less dependent on that, as you know for exits, but that would be part of the whole equation, so we would want to be absolutely sure about that. We'd want to make sure that the market was fully back, and it's probably still a little bit early to be precise about that.

Maybe I'll take the AI one while I'm talking, in terms of any case studies, and we're really seeing this in two parts. We're seeing it as a way of internal efficiency of just making sure that people are spending less time on things that can be automated and therefore devoting more time to things that value added and commenting on output rather than preparing documentation. So that's part of it. I wouldn't say, again, it's a big driver of cost efficiency, but it's certainly a changing environment for the way that people spend their time, potentially. Still early days and we're still seeing new products arrive in this space all the time, so I wouldn't see it necessarily as a near term driver of cost efficiency. On the other side in terms of investment decision making, we're seeing it as a useful tool certainly as we analyse markets, as we analyse businesses. As part of our diligence and ongoing monitoring of our portfolio, we do see it as a helpful input and again, that is improving all the time with new technology.

**Rob Lucas:**

Great. Thanks Fred. And Rob, just on the wealth. Bruce's wealth question.

**Rob Squire:**

Yeah, sure. Hi Bruce. So as you rightly point out, we were very clear that we were going to start off in Europe with the wealth efforts to maximise impact and obviously align strongly with our brand. Given the size of the US market, we will get there.

I'm not going to forecast when that's going to be. What I would say however is that the majority of the institutions that you allude to, we actually do have active relationships with them through feeder fund structures in our closed end funds. And so we do have active relationships there and it's something that we are very, very cognizant of.

**Rob Lucas:**

Great. Thanks very much Rob.

**Walid Damou:**

Thank you. Next question please. Thank you Bruce.

**Oliver Carruthers:**

Hi there. Good morning. Oliver Carruthers from Goldman Sachs. Just two questions left from my side. So first on SOF VI, it sounds like that's had a good start from a fundraising perspective, but can you talk a little bit about the balance of the vintage on vintage growth that you're expecting and how that might break down between the re-up rate and larger ticket sizes with existing clients and then adding new clients here?

So that's the first question and then the second question on exits. As you highlighted, you did your first continuation vehicle this year, so just wondering, are you seeing any other types of exit routes that are emerging in prominence in this market, either full or partial? It seems like there's growing interests from LPs to buy minority stakes, so just wondering if that's a dynamic that could be meaningful for CVC. Thank you.

**Rob Lucas:**

Great, thanks very much Oliver. Rob, do you want to take the SOF VI and I'll cover the exits point?

**Rob Squire:**

Of course, yeah, happy to. Hi Oliver. As I said earlier in the call, we're not going to give comments on individual fundraisings or get into the granularity there. As I said, we're off to a very, very pleasing start with SOF VI. As we outlined to you earlier in the year, we have a very, very limited overlap of our top a hundred investors with their investors, and so we think there's plenty of white space for us to go and so again, we're off to a pleasing start, is what I'd say at this juncture.

**Rob Lucas:**

Right. Okay. Thanks Rob.

Oliver, just on the exit sides of things, yes, we've done our first continuation vehicle and I think continuation vehicles are an interesting exit mechanism, particularly from the point of view of having earning fees on those. Having said that, I think they will always just be something that we use very sparingly under very specific conditions. If you look at where the pie chart in terms of how the exits have split out, then of course the key for us is to always maintain maximum optionality around the types of exits that occur.

When we, at the panellist presentation, we presented a pie chart showing that since 2021 there had been very low reliance on the public markets. This 11%, I think, the figure was. We're at 10% at the moment, so the public markets remain relatively quiet from an exit perspective. We would hope that there would be more activity in the public markets as the markets stabilise.

We have seen trade sales at a relatively lower level and we would expect to see those coming back more strongly as there's generally a lag in the market between what we see in the private equity activity and in terms of the strategic activity. So we'd expect to see that coming back. But I think the absolute key to your question is that it's very, very helpful for us to have as many potential exit routes as we can and to keep as much flexibility around that. And I think within that, continuation vehicles and the desire, as you say, for LPs to participate in full or partial exits there, is a really good feature for the future.

**Walid Damou:**

Thank you Rob, and thank you Oliver for your question.

**Oliver Carruthers:**

Okay, thank you very much.

**Sharath Kumar:**

Good morning. Thank you again for taking my questions. I have a couple left. Firstly, a clarification on the upcoming lock-up releases at end October. My understanding is that we would have a small tranche coming off, say six to 7% of your share capital from the strategic shareholders excluding dial capital. So can you confirm this?

Secondly, on the infrastructure fund, if we were to see a foster deployment level, would you still look to activate the fund's next funds in 2025? Just for my understanding, should we reach 90% deployment levels for the successor funds to be activated? Thank you.

**Rob Lucas:**

Great. Thanks very much. Sharath. Fred, just in terms of the lockup.

**Fred Watt:**

Yeah, hi Sharath. I mean there's I guess two parts to the lockup question. Technically there is a six month lockup on what we call the strategic investors and their residual holding, which you're approximately correct in total does come out of that lockup. Now what we don't know is whether they want to be long-term holders or whether they want to sell any more shares into the market. That's not a conversation we've had, but so I cannot answer whether that will actually release any shares in the market or not at this stage, but technically they would come out of a lockup six months after the IPO.

**Rob Lucas:**

In terms of your infra fund question, I wasn't absolutely clear on the precise point you were wanting to get at there, Sharath.

**Sharath Kumar:**

I know what I intended to ask is firstly, from a technical point of view, would you want to reach a level of 90% deployment level for the successor funds to be activated and related to that, if we were to see a better pipeline than anticipated, would you look to activate the mixed funds in 2025?

**Rob Squire:**

Yeah, sure. I mean, again, I don't think we're changing our guidance at all there. So it is really, as it was earlier in the year, Sharath, in terms of launching the successor funds in H1-25, and activating the successor infrastructure funds, excuse me, in 2026.

**Rob Lucas:**

Thanks.

**Walid Damou:**

Thanks. Thank you, Rob and thank you Sharath. We've got the last question for today, please.

**Julian Dobrovolschi:**

Hello. Good morning, gentlemen. This is Julian from ABN Amro and thanks on the presentation. I have two if you don't mind. First one is on the performance in the exits into your private equity portfolio. So 3.6x gross MOIC and 28% gross IRR in the last 12 months. But if you look in H1, then that 4.5x MOIC can lead to IRR, which basically implies that the exit in H1 was much stronger in terms performance.

Can you please explain the difference here and what does this mean actually in terms of the exit multiples, maybe reflecting on the H1 2024 multiples versus H2 2023 multiples, and is that some sort of an implication of a sharp recovery in the exit multiples overall or just selling high quality assets in H1 versus H2?

And then the second one is on investment income. This one grew about 20% year-over-year based on the H1 figures. Can you please talk about the returns on your balance sheet investment in H1, and where does this land within the 15, 20% target that you have on the median term? Thanks.

**Rob Lucas:**

Sure. Thanks Julian. Let's just try and answer those very quickly. I'll take the first if you are happy to say the second Fred. Just in terms of the returns, yeah, the returns were very strong. I think they were strong last year and they were just even stronger this first half. I don't think this should be anything to read into that Julian actually. I think it's just reflective. Exits are lumpy. We just had a couple of very successful exits in the first half of this year. I don't think we can necessarily read anything in terms of trends into that.

**Fred Watt:**

Julian in terms of returns on the balance sheet investments, they will really track the underlying fund performers that we're investing into as an investor in each of the funds. So as you say, we said 15 to 20. The lower end of that range would be our investments in say the credit funds or StratOps ops. The upper end of that range would be returns from our investments in our PE strategy. So that's unchanged. And of course period to period, it will differ depending on the actual returns achieved. But that as a medium term estimate, our medium term guidance is still relevant.

**Walid Damou:**

Thank you, Fred. Well, thanks everyone for your questions and thank you very much for taking the time for this call with us today. We look forward to speaking again very soon.

**Rob Lucas:**

Thanks very much indeed, everybody. Thank you for joining.

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